

ILLINOIS COMMERCE COMMISSION

THE PEOPLES GAS LIGHT AND COKE COMPANY
NORTH SHORE GAS COMPANY

Joint Petition for consent to and approval of an
increase in the authorized level of borrowing of funds
from Peoples Energy Corporation, an affiliated
interest

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Docket No. 02-0822

CHIEF CLERK'S OFFICE

2002 DEC 10 P 2:19

ILLINOIS
COMMERCE COMMISSION

**STAFF'S ANSWER TO THE PEOPLES GAS LIGHT AND COKE COMPANY AND
NORTH SHORE GAS COMPANY'S JOINT PETITION**

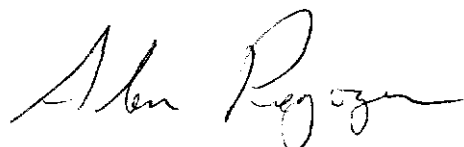
Now comes the Staff of the Illinois Commerce Commission ("Staff") in response to The Peoples Gas Light and Coke Company ("Peoples Gas") and North Shore Gas Company's ("North Shore") Joint Petition for consent to and approval of an increase in the authorized level of borrowing of funds from Peoples Energy Corporation ("Parent"), an affiliated interest. On December 5, 2002, Peoples and North Shore (collectively "Joint Petitioners" or "Companies") filed their Joint Petition pursuant to Section 7-101 of the Public Utilities Act, 220 ILCS 5/7-101 *et. seq.* ("Act"). Joint Petitioners requested that the Commission increase Peoples Gas' authorization to borrow short-term funds from Parent from \$100 million to \$150 million and to increase North Shore's authorization to borrow short-term funds from Parent from \$25 million to \$50 million. Joint Petitioners explained that current cash projections indicate that Peoples and North Shore will require short-term funds in amounts that exceed Peoples Gas' \$100 million borrowing limit and North Shore's \$25 million borrowing limit, which the Commission authorized in Docket No. 00-0819. Joint Petitioners stated that borrowing from Parent reduces their borrowing costs through lower interest rates and administrative costs.

Staff has reviewed Peoples Gas and North Shore's Joint Petition and Section 7-101 of the Act and states as follows:

1. Joint Petitioners and Parent are affiliated interests as defined in Section 7-101(2)(ii)(a) of the Act.
2. Parent will charge Joint Petitioners interest rates that are the lesser of (a) prevailing market interest rates that are commensurate with the risk of Joint Petitioners, and (b) Parent's actual cost of borrowing. Therefore, Parent will not earn profits on loans to Joint Petitioners.
3. Borrowing up to the maximum amount from Parent that Joint Petitioners propose would not adversely affect Peoples Gas' or North Shore's financial condition.
4. Pooling Joint Petitioners' short-term borrowings should result in lower interest and administrative costs for both companies.
5. Reducing a utility's borrowing costs without impairing its financial condition is in the public interest.

WHEREFORE, the Staff of the Illinois Commerce Commission recommends that the Commission authorize Peoples Gas and North Shore to borrow up to \$150 million and \$50 million, respectively, from Parent in accordance with the terms specified in Paragraph 11 of the Joint Petition and Petitioner's Exhibits A and B.

Respectfully submitted,



Alan Pregozen, Manager
Finance Department
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701
(217) 785-5418

December 10, 2002

VERIFICATION

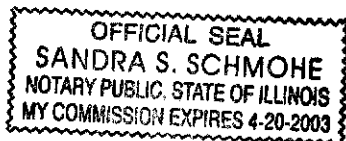
I, Alan Pregozen, first being duly sworn upon oath, depose and say that I am Manager of the Finance Department for the Staff of the Illinois Commerce Commission, that I have read the above and foregoing Answer to The Peoples Gas Light and Coke Company ("Peoples Gas") and North Shore Gas Company's ("North Shore") Joint Petition in Docket No. 02-0822 by me subscribed and know the contents thereof; that said contents are true in substance and in fact, except as to those matters stated upon information and belief, and as to those, I believe the same to be true.


Alan Pregozen, Manager
Finance Department

Subscribed and sworn to before me
this 10th day of December, 2002.

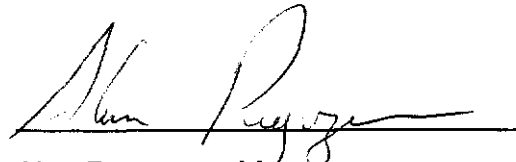


Notary Public, Illinois



CERTIFICATE OF SERVICE

I, Alan Pregozen, Manager of the Finance Department, Financial Analysis Division, Illinois Commerce Commission, do hereby certify that on the 10th day of December, 2002, the Finance Department has delivered for filing with the Clerk of the Illinois Commerce Commission, the original and two copies of the attached Answer to The Peoples Gas Light and Coke Company ("Peoples Gas") and North Shore Gas Company's ("North Shore") Joint Petition in Docket No. 02-0822, a copy of which is also hereby served upon the service list.

A handwritten signature in black ink, appearing to read 'Alan Pregozen', is written over a horizontal line.

Alan Pregozen, Manager
Finance Department

SERVICE LIST
DOCKET NO. 02-0822
THE PEOPLES GAS LIGHT AND COKE COMPANY
NORTH SHORE GAS COMPANY

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